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SUBJECT: END-USE MONITORING IN AFYON

REF: (A) Ankara 1434 (B) Ankara 1988

¶1. (SBU) SUMMARY: On June 6, we visited the Turkish Grain Board's (TMO) poppy and alkaloid processing facility in Afyon, about 150 miles southwest of Ankara. We conducted end-use monitoring for several INL-funded items, including seed processing equipment and vehicles. TMO still uses the vast majority of the INL-funded equipment, which officials say has dramatically increased the efficiency and effectiveness of their operation. TMO officials told us the facility may be partially privatized in the future, creating an opportunity for a U.S. investor. End summary.

U.S. Equipment Still Improving Production

¶2. (SBU) The town of Afyon, which means opium in Turkish, is the center of Turkey's legal poppy production, approximately 60 percent of which is exported to the United States. TMO's Director of Poppy and Alkaloid Affairs, Ali Gevenkiris, took us on a tour of TMO's vast Afyon campus and showed us the seed processing equipment that the United States donated with INL funding in 2001. Gevenkiris told us that the equipment helped TMO raise the morphine content in its poppy capsules from 0.4 percent to one percent, making it much more marketable. He also explained that, because of the equipment's modern technology, TMO has been able to reduce processing time significantly. We were able to see the equipment in action, and noted that it is very well cared for and operates without problems.

¶3. (SBU) During our visit, we toured nearby poppy fields in one of the vehicles that INL donated in 1992. Despite its age, the vehicle was in good working condition. Repairs on all INL-funded vehicles are done locally, and all 20 of the vehicles donated in 1992 and 1993 are still in use (ref B).

Possible Privatization of Alkaloid Facility

¶4. (SBU) TMO officials said that Turkey is considering partially privatizing the alkaloid facility. While telling us about their investment plans for the facility (and indirectly asking for more USG assistance), they said such investments would benefit the U.S. companies eventually, since: 1) they were the major customers for TMO's production; and 2) they were potential partners to the facility if privatized.

¶5. (SBU) The officials complained about their difficulties in employing and keeping qualified personnel due to bureaucracy and TMO's inability to compete as a state-owned company with private competitors. They said TMO already sent a draft outlining these problems to the Ministry of Agriculture, but had no clue as to when privatization could become reality. The officials thought the GOT

would still keep a majority share or use a "golden share" to retain state oversight of opium production in Turkey. Given the 80-20 rule which requires buyers to get 80% of their opium needs from traditional producers (Turkey and India), and the recent improvement in Turkish poppy content, the officials were optimistic about foreign demand for the facility.

16. (SBU) Comment: The donations to TMO are one of the true success stories of the INL program in Turkey. The INL-funded equipment has had a concrete, long-lasting, and positive impact on TMO's operations. Production has increased, and TMO's products have become more marketable and profitable. Throughout our visit TMO officials repeatedly expressed their thanks for the items donated. If the privatization comes to pass, it may represent an opportunity for U.S. firms.

WILSON